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PAGE 01 STATE 092974
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S E C R E T STATE 092974
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PAGE 02 STATE 092974

E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 540 - APRIL 11, 1978

LONDON FOR KINSOLVING
PARIS FOR NICHOLAS MURPHY
OTHER ADDRESSEES FOR CHIEFS OF MISSION

1. EGYPT. PRESIDENT SADAT HAS BEEN FACING GROWING CRITICISM AT HOME OVER HIS FOREIGN AND DOMESTIC POLICIES SINCE JANUARY, BUT IT HAS BECOME APPRECIABLY MARKED SINCE THE BEGINNING OF THE MONTH. HIS PEACE INITIATIVE IS WIDELY CONSIDERED TO BE STALLED AND THE STRAINS HIS MOVE ENGENDERED IN THE ARAB WORLD NOW APPEAR TO HAVE BEEN FOR NAUGHT. INDEED, THE INITIATIVE IS PERCEIVED AS HAVING LED TO CAIRO'S ISOLATION IN THE ARAB WORLD. WHILE SADAT SEEMS UNLIKELY TO BE DEFLECTED FROM THE PEACE PROCESS, HE MUST NOW FOCUS INCREASINGLY ON DOMESTIC PROBLEMS AND MAY FIND HIS OPTIONS MORE LIMITED.

2. MOREOVER, SOME OF SADAT'S CRITICS HAVE POINTED TO THE MEAGER RESULTS PRODUCED BY HIS RELIANCE ON THE US:

(A) ETHIOPIA, WITH SOVIET AND CUBAN SUPPORT, ADMINISTERED A DRUBBING TO EGYPTIAN-BACKED SOMALIA.

(B) LIBYA DID THE SAME IN CHAD.

(C) THE SUDAN, WITH WHICH EGYPT HAS A SECURITY TREATY, IS HEDGING ITS BETS.

SECRET

SECRET

PAGE 03 STATE 092974

(D) US POLICY IN AFRICA AND IN THE PEACE PROCESS HAS BEEN INEFFECTIVE.

3. SADAT'S DOMESTIC SITUATION IS EVEN WORSE. EMBASSY CAIRO OBSERVES THAT THE SOCIAL TINDER IN URBAN AREAS IS DRY AND THAT IT WOULD NOT TAKE MUCH TO SPARK NEW RIOTS. THERE ARE SERIOUS SHORTAGES OF BASIC COMMODITIES. FURTHERMORE, THERE IS MUCH PUBLIC BITTERNESS THAT THE PRICES OF VEGETABLES AND FRUITS HAVE ALMOST DOUBLED THIS PAST YEAR. CRITICS OF THE GOVERNMENT PREDICT THAT RIOTS WILL OCCUR SHORTLY AND THAT THEY WILL BE MUCH WORSE THAN THOSE OF JANUARY 1977.

4. AGAINST THIS BACKGROUND, THE CABINET APPEARS TO BE IN TURMOIL. PRIME MINISTER SALEM IS DESCRIBED BY SEVERAL SOURCES AS HAVING LOST THE CONFIDENCE OF HIS COLLEAGUES AND POSSIBLY OF SADAT. SALEM'S INABILITY TO MAINTAIN DISCIPLINE IN PARTY RANKS HAS EMBITTERED HIS CABINET COLLEAGUES WHO ARE BEING CRITICIZED BY BOTH THE OPPOSITION AND FELLOW PARTY MEMBERS.

5. PERSONAL RIVALRIES AMONG THE MINISTERS ARE ALSO GROWING. DEPUTY PRIME MINISTER KAISSOUNI AND HIS ECONOMIC GROUP HAVE BEEN PRESSING FOR THE REMOVAL OF SUBSIDIES, HIGHER PRICES FOR CERTAIN GOODS, AND A REDUCTION OF MINISTERIAL EXPENSES. MORE POLITICALLY-MINDED MINISTERS OPPOSE THESE PLANS ON GROUNDS THAT THEY ARE CERTAIN TO PRODUCE DOMESTIC CHAOS. KAISSOUNI AND WAR MINISTER GAMASY HAVE HAD A SERIOUS DISPUTE OVER THE ALLOCATION OF FUNDS. SADAT SIDED WITH GAMASY; KAISSOUNI REPORTEDLY HAS RESIGNED, BUT HIS RESIGNATION HAS NOT BEEN ACCEPTED.

6. EMBASSY CAIRO REPORTS THAT THERE IS MUCH TALK OF A CABINET CHANGE. SADAT APPARENTLY HAS CONCLUDED THAT SALEM IS NOT UP TO THE JOB AND WILL HAVE TO GO. IF THE SITUATION GETS WORSE, A SCAPEGOAT WILL HAVE TO BE FOUND. IN THESE CIRCUMSTANCES, ONLY AN EXTREMELY AMBITIOUS MAN WOULD RISK TAKING THE UNENVIABLE JOB OF PRIME MINISTER, IN THE EMBASSY'S VIEW.

SECRET

SECRET

PAGE 04 STATE 092974

7. AGAINST THE BACKDROP OF GROWING ECONOMIC PROBLEMS AND RIFTS WITHIN HIS GOVERNMENT, SADAT IS FACING A CREDIBLE OPPOSITION FOR THE FIRST TIME:

(A) WITH THE EMERGENCE OF THE NEW WAFD PARTY, THE RECENTLY RECONSTITUTED CENTERIST PARTY AND NOW THE LARGEST OPPOSITION IN PARLIAMENT, THOSE WHO OPPOSE THE REGIME NOW HAVE A REASONABLE PLATFORM FROM WHICH TO VOICE THEIR OPPOSITION. THE EXTENT OF THIS FEELING CAN BE SEEN IN THE RAPID GROWTH OF THE WAFD AND THE LARGE CIRCULATION OF ITS NEWSPAPERS.

(B) SADAT ALSO FACES SHARP CRITICISM FROM THE MUSLIM RIGHT. THE UNIVERSITY-BASED ISLAMIC SOCIETIES WITH LINKS TO THE MUSLIM BROTHERHOOD WERE ON THE VERGE OF GAINING CONTROL OF THE NATIONAL STUDENT UNION WHEN THE GOVERNMENT MOVED AGAINST THEM AND OVERTURNED CAMPUS ELECTIONS.

(C) THE LEFT IS NOT PRESENTLY A LARGE THREAT, BUT COULD MOVE QUICKLY TO TAKE ADVANTAGE OF ANY DISTURBANCES, AS THEY DID IN 1977.

8. SADAT IS INCREASINGLY AWARE OF THESE PROBLEMS. RESHUFFLING THE CABINET MAY BUY SOME TIME, BUT, AS MOST EGYPTIANS OBSERVE, SADAT MAKES THE DECISIONS AND NOT HIS

SECRET

SECRET

PAGE 05 STATE 092974

RELATIVELY COLORLESS MINISTERS. SADAT, THEREFORE, WILL
COME UNDER CONSIDERABLE PRESSURE FOR ECONOMIC PROGRESS
AT HOME AND TO SHOW TANGIBLE GAINS FOR EGYPT IN THE
PEACE PROCESS. (SECRET) VANCE

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